

# **SUMMIT INDUSTRIAL INCOME REIT**

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Unaudited Condensed Consolidated Interim Financial Statements  
For the three and six month periods ended June 30, 2013 and 2012

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**SUMMIT INDUSTRIAL INCOME REIT**

For the three and six month periods ended June 30, 2013 and 2012

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**SUMMIT INDUSTRIAL INCOME REIT**  
**UNAUDITED CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS**

As at June 30, 2013 and December 31, 2012

(In thousands of Canadian dollars)

	Note	June 30, December 31, 2013                      2012	
<b>Assets</b>			
<b>Non-current</b>			
Investment properties	5	\$ 249,677	\$ 75,674
		<b>249,677</b>	<b>75,674</b>
<b>Current</b>			
Investment property held for sale	5	750	3,700
Accounts receivable	6	483	207
Prepaid expenses, deposits, and deferred financing costs		1,697	1,175
Cash		836	815
		<b>3,766</b>	<b>5,897</b>
<b>Total assets</b>		<b>\$ 253,443</b>	<b>\$ 81,571</b>
<b>Liabilities</b>			
<b>Non-current</b>			
Loans and borrowings	7	\$ 132,786	\$ 32,817
		<b>132,786</b>	<b>32,817</b>
<b>Current</b>			
Loans and borrowings	7	3,792	1,614
Loans and borrowings held for sale		-	2,743
Trade and other accrued liabilities		2,812	736
Other liabilities	5	-	1,097
Security deposits		1,452	375
Distribution payable	9	737	-
Preferred units payable	8	-	1,125
		<b>8,793</b>	<b>7,690</b>
<b>Total liabilities</b>		<b>141,579</b>	<b>40,507</b>
<b>Unitholders' equity</b>			
Unitholders' equity	9	111,864	41,064
		<b>111,864</b>	<b>41,064</b>
<b>Total liabilities and equity</b>		<b>\$ 253,443</b>	<b>\$ 81,571</b>

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Approved by the Board of Trustees on August 20, 2013

\_\_\_\_\_  
“Lou Maroun”  
Trustee

\_\_\_\_\_  
“Jim Tadeson”  
Trustee

**SUMMIT INDUSTRIAL INCOME REIT**  
**UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME AND**  
**COMPREHENSIVE INCOME**

For the three and six month periods ended June 30, 2013 and 2012  
(In thousands of Canadian dollars, except per unit amounts)

		Three month period ended June 30, 2013	Three month period ended June 30, 2012 *Restated	Six month period ended June 30, 2013	Six month period ended June 30, 2012 *Restated
Rentals from investment properties	11	\$ 5,655	\$ 263	\$ 8,338	\$ 521
Property operating expenses		1,236	78	1,810	89
<b>Net rental income</b>		<b>4,419</b>	185	<b>6,528</b>	432
<b>Other income</b>					
Other income		-	-	-	14
Finance income		5	-	9	-
Gain on sale of investment properties		61	-	61	-
		<b>66</b>	-	<b>70</b>	14
<b>Other expenses</b>					
General and administrative		427	61	691	120
Finance costs		1,343	106	1,963	231
		<b>1,770</b>	167	<b>2,654</b>	351
<b>Income before fair value</b>					
<b>adjustments to investment properties</b>		<b>2,715</b>	18	<b>3,944</b>	95
Fair value adjustments to investment properties		10	-	10	-
<b>Net income and comprehensive income</b>		<b>\$ 2,725</b>	\$ 18	<b>\$ 3,954</b>	\$ 95
<b>Earnings per unit</b>					
Basic	9	\$ 0.151	\$ 0.028	\$ 0.271	\$ 0.145
Diluted	9	\$ 0.151	\$ 0.028	\$ 0.271	\$ 0.145

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

\* See Note 4

**SUMMIT INDUSTRIAL INCOME REIT**  
**UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN**  
**UNITHOLDERS' EQUITY**

For the six month periods ended June 30, 2013 and 2012  
(In thousands of Canadian dollars)

	Note	Units	Retained earnings	Unitholders' equity
<b>Beginning balance, January 1, 2012</b>		\$ 21,645	\$ (6,487)	\$ 15,158
Comprehensive income (restated - Note 5)		-	95	95
Distributions	9	-	(13,346)	(13,346)
<b>Ending balance, June 30, 2012</b>		\$ 21,645	\$ (19,738)	\$ 1,907
<b>Beginning balance, January 1, 2013</b>		\$ 52,331	\$ (11,267)	\$ 41,064
Comprehensive income		-	3,954	3,954
Distributions	9	-	(2,942)	(2,942)
Units issued under the DRIP	9	291	-	291
Issuance of units, net of costs	9	69,497	-	69,497
<b>Ending balance, June 30, 2013</b>		\$ 122,119	\$ (10,255)	\$ 111,864

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

**SUMMIT INDUSTRIAL INCOME REIT**  
**UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**

For the six month periods ended June 30, 2013 and 2012

(In thousands of Canadian dollars)

	Note	2013	2012
<b>Operating activities</b>			
Net income		\$ 3,954	\$ 95
Add (deduct): Items not affecting cash			
Finance costs		1,963	231
Gain on sale of investment properties		(61)	-
Straight-line rent adjustment		(232)	-
Fair value adjustments to investment properties		(10)	-
Change in non-cash working capital items		1,412	(645)
Interest and finance fees paid		(2,826)	(277)
		<b>4,200</b>	<b>(596)</b>
<b>Financing activities</b>			
Repayment of loans and borrowings		(4,845)	(151)
(Repayment) proceeds from other liabilities	5	(1,097)	179
Repayment of preferred units payable	8	(1,125)	-
Increase in loans and borrowings		92,096	-
Distributions paid	9	(1,914)	(13,346)
Net proceeds from units issued	9	69,497	-
		<b>152,612</b>	<b>(13,318)</b>
<b>Investing activities</b>			
Proceeds from sale of investment properties		5,407	13,601
Acquisition of investment properties		(161,498)	(30)
Deposits on future acquisitions of investment properties		(700)	-
		<b>(156,791)</b>	<b>13,571</b>
Increase (decrease) in cash		21	(343)
Cash, beginning of period		815	360
<b>Cash, end of period</b>		<b>\$ 836</b>	<b>\$ 17</b>

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

# SUMMIT INDUSTRIAL INCOME REIT

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

June 30, 2013

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### 1. Reporting entity

Effective October 3, 2012, Proventure Income Fund changed its name to Summit Industrial Income REIT ("Summit II" or the "REIT" or the "Trust"). Summit II is a mutual fund trust established under the laws of the Province of Ontario and is domiciled in Canada. The registered office of the Trust is situated at 294 Walker Drive, Brampton, Ontario, L6T 4Z2. The Trust is primarily involved in the commercial leasing of real estate property with 17 property locations in Ontario, 5 properties across Western Canada and 1 property in Atlantic Canada. The Trust's units are listed on the TSX Venture Exchange and trade under the symbol "SMU.UN".

### 2. Basis of preparation

#### (a) Statement of compliance

These condensed consolidated interim financial statements are presented in accordance with IAS 34, "Interim Financial Reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements prepared for the year ended December 31, 2012.

The Board of Directors authorized the issue of these condensed consolidated interim financial statements on August 20, 2013.

#### (b) Basis of measurement

The condensed consolidated interim financial statements have been prepared on a historical cost basis except for investment properties which are recorded at fair value in accordance with the REIT's accounting policies set forth in Note 3 to the consolidated financial statements of the Trust as at and for the year ended December 31, 2012.

The condensed consolidated interim financial statements are presented in thousands of Canadian dollars which is the functional currency of the REIT and its subsidiaries.

#### (c) Estimates and judgements

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the REIT's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2012.

In addition, the Trusts' accounting policies relating to business combinations are described in Note 3(f) of the consolidated financial statements as at and for the year ended December 31, 2012. In applying this policy, judgment is applied in determining whether an acquisition meets the definition of a business combination or an asset acquisition by considering the nature of the assets acquired and the processes applied to those assets, or if the integrated set of assets and activities is capable of being conducted and managed for the purpose of providing a return to investors or other owners. The determination of whether an acquisition meets the definition of a business results in measurement differences on initial recognition of the acquired net assets. If the acquisition is determined to be a business combination these differences include the nature of deferred tax assets and liabilities that may be recorded and the requirement to recognize goodwill or negative goodwill, as applicable, for differences between the consideration provided and the fair value of the net assets acquired. Additionally, transaction costs incurred to effect a business combination are required to be expensed where for an asset acquisition transaction costs would be capitalized to the initial carrying amount of the acquired asset.

## SUMMIT INDUSTRIAL INCOME REIT

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

June 30, 2013

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### 3. Significant accounting policies

The accounting policies applied are consistent with those of the annual financial statements prepared as at and for the year ended December 31, 2012 as described in Note 3 of those financial statements except for the accounting policy changes below

#### Changes in Accounting Policies

The Trust has adopted the following new standards effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions.

#### *IFRS 10 Consolidated Financial Statements*

IFRS 10 *Consolidated Financial Statements* ("IFRS 10") replaces the consolidation guidance in IAS 27 *Consolidated and Separate Financial Statements* ("IAS 27") and SIC-12 *Consolidation — Special Purpose Entities* by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e., whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in special purpose entities). Under IFRS 10, control is based on whether an investor has power over the investee, exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the returns. The Trust conducted a review of the new standard and determined that the adoption of IFRS 10 did not result in any change to the interim financial statements.

#### *IFRS 11 Joint Arrangements*

IFRS 11 *Joint Arrangements* ("IFRS 11") introduces new accounting requirements for joint arrangements, replacing IAS 31 *Interests in Joint Ventures*. IFRS 11 removes the option to apply the proportional consolidation method when accounting for jointly controlled entities and eliminates the concept of jointly controlled assets. IFRS 11 now only differentiates between joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities. A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets. The Trust conducted a review of the new standard and determined that the adoption of IFRS 11 did not result in any change to the interim financial statements.

#### *IFRS 12 Disclosure of Interests in Other Entities*

IFRS 12 *Disclosure of Interests in Other Entities* ("IFRS 12") requires enhanced disclosures about both consolidated entities and unconsolidated entities in which an entity has involvement. The objective of IFRS 12 is to provide financial statement users with information to evaluate the basis of control, any restrictions on consolidated assets and liabilities, risk exposures arising from involvement with unconsolidated structured entities and non-controlling interest holders' involvement in the activities of consolidated entities. The Trust conducted a review of the new standard and determined that the adoption of IFRS 12 did not result in any change to the interim financial statements.

#### *IFRS 13 Fair Value Measurement*

IFRS 13 *Fair Value Measurement* ("IFRS 13") replaces existing IFRS guidance on fair value with a single standard. IFRS 13 defines fair value, provides guidance on how to determine fair value and outlines required disclosures about fair value measurements. IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value. The Trust conducted a review of the new standard and determined that the adoption of IFRS 13 did not result in any change to the interim financial statements.



## SUMMIT INDUSTRIAL INCOME REIT

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

June 30, 2013

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### 3. Significant accounting policies (Continued)

#### New Accounting Standards Issued but not Yet Effective

##### *IFRS 9 Financial Instruments*

IFRS 9 *Financial Instruments* ("IFRS 9") introduces new requirements for the classification, measurement and derecognition of financial assets and financial liabilities. Specifically, IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortized cost or fair value. The IASB has issued an amendment to IFRS 9 *Financial Instruments* ("IFRS 9"), which changes the effective date of IFRS 9 (2009) and IFRS 9 (2011), so that IFRS 9 is required to be applied for annual periods beginning on or after January 1, 2015, with early application permitted. This amendment was released in connection with IFRS 7 *Financial Instruments: Disclosures – Transition Disclosures* ("IFRS 7") which outlines that, with the amendments to IFRS 9, entities applying IFRS 9 do not need to restate prior periods but are required to apply modified disclosures. The Trust is currently assessing the impact of applying the amendments of IFRS 9 and IFRS 7 on the consolidated financial statements.

### 4. Comparative information

The Trust changed its accounting policy with respect to the subsequent measurement of investment property from the cost model to the fair value model, with the changes in fair value recognized in profit or loss. The change in accounting policy was applied retrospectively. During the three and six month period ended June 30, 2012 depreciation of \$84 thousand and \$169 thousand respectively, were reversed. In addition, the gains on sale of investment property for the three and six month period ended June 30, 2012 of \$32 thousand, and \$1.12 million respectively, were reversed as the investment properties were valued at their sale price as at December 31, 2011, resulting in no gain or loss on sale for the three and six month period ending June 30, 2012. No fair value adjustments were required for the three and six month period ended June 30, 2012.

## SUMMIT INDUSTRIAL INCOME REIT

Notes to the Unaudited Condensed Consolidated Interim Financial Statements  
June 30, 2013

### 5. Investment properties

The following table presents investment properties as at June 30, 2013 and December 31, 2012.

(In \$ thousands)	2013			2012		
	Investment properties	Investment property held for sale	Total	Investment properties	Investment property held for sale	Total
Balance at beginning of period	\$ 75,674	\$ 3,700	\$ 79,374	\$ 11,956	\$ 26,327	\$ 38,283
Additions:						
Acquisition of investment properties	176,389	–	176,389	61,620	–	61,620
Transfer from investment properties to investment property held for sale	(740)	740	–	(3,700)	3,700	–
Dispositions	(1,646)	(3,700)	(5,346)	(1,863)	(26,327)	(28,190)
Fair value gains	–	10	–	7,661	–	7,661
Balance at end of period	\$ 249,677	\$ 750	\$ 250,427	\$ 75,674	\$ 3,700	\$ 79,374

Acquisitions of investment properties completed during the six month period ended June 30, 2013 are as follows:

Property	Property type	Ownership interest	Date acquired	Acquisition cost (in \$ thousands)
5880 56 <sup>th</sup> Avenue, Edmonton, AB	Industrial	100%	28-Feb-13	\$ 6,305
3703 98 <sup>th</sup> Street, Edmonton, AB	Industrial	100%	28-Feb-13	7,015
40 Dynamic Drive, Scarborough, ON	Industrial	100%	4-Mar-13	6,135
50 Dynamic Drive, Scarborough, ON	Industrial	100%	4-Mar-13	3,530
125 Nashdene Road, Scarborough, ON	Industrial	100%	4-Mar-13	13,063
200 Vandorf Sideroad, Aurora, ON	Industrial	100%	6-Mar-13	28,177
290 Frenette Ave East, Moncton, NB	Industrial	100%	11-Mar-13	20,913
292-294 Walker Drive, Brampton, ON	Industrial	100%	13-Mar-13	8,955
296-300 Walker Drive, Brampton, ON	Industrial	100%	13-Mar-13	8,338
155-161 Orenda Road, Brampton, ON	Industrial	100%	13-Mar-13	24,306
8705 Torbram Road, Brampton, ON	Industrial	100%	13-Mar-13	22,000
165 Orenda Road, Brampton, ON	Industrial	100%	13-Mar-13	4,408
1075 Clark Boulevard, Brampton, ON	Industrial	100%	13-Mar-13	4,467
40 Summerlea Road, Brampton, ON	Industrial	100%	13-Mar-13	9,798
6 Shaftsbury Lane, Brampton, ON	Industrial	100%	13-Mar-13	8,979
Investment properties acquired				\$ 176,389

## SUMMIT INDUSTRIAL INCOME REIT

Notes to the Unaudited Condensed Consolidated Interim Financial Statements  
June 30, 2013

### 5. Investment properties (continued)

(In \$ thousands)	Cash	Mortgage financing	Total
5880 56 <sup>th</sup> Avenue, Edmonton, AB	\$ 2,255	\$ 4,050	\$ 6,305
3703 98 <sup>th</sup> Street, Edmonton, AB	2,515	4,500	7,015
40 Dynamic Drive, Scarborough, ON	2,086	4,049	6,135
50 Dynamic Drive, Scarborough, ON	1,199	2,331	3,530
125 Nashdene Road, Scarborough, ON	4,443	8,620	13,063
200 Vandorf Sideroad, Aurora, ON	28,177	-	28,177
290 Frenette Avenue East, Moncton, NB	7,897	13,016	20,913
292-294 Walker Drive, Brampton, ON	4,197	4,758	8,955
296-300 Walker Drive, Brampton, ON	3,676	4,662	8,338
155-161 Orenda Road, Brampton, ON	9,615	14,691	24,306
8705 Torbram Road, Brampton, ON	8,087	13,913	22,000
165 Orenda Road, Brampton, ON	1,749	2,659	4,408
1075 Clark Boulevard, Brampton, ON	1,583	2,884	4,467
40 Summerlea Road, Brampton, ON	3,659	6,139	9,798
6 Shaftsbury Lane, Brampton, ON	4,685	4,294	8,979
Investment properties acquired	\$ 85,823	\$ 90,566	\$ 176,389

On the above noted acquisitions, approximately \$1.1 million in security deposits were assumed.

The investment properties were valued internally by the Trust using the "Direct Capitalization" method. This method requires certain key assumptions, including rental income, operating expenses, vacancies and inflation rates to be made with respect to the Trust's investment properties. The capitalization rate is determined for each property based on available market information related to the sale of similar buildings within the same geographic locations.

The Trust's investment property in Red Deer, Alberta, is available for sale and has been classified as held for sale and recorded at its fair value of \$0.8 million at June 30, 2013.

The following properties were disposed during the six month period ended June 30, 2013.

Property	Property type	Ownership interest	Date disposed	Sale price (in \$ thousands)
4010 & 3930 Thatcher Avenue, Saskatoon, SK	Industrial	100%	26-Apr-13	\$ 3,775
Hwy 1 & 8 North, 109 Hwy 8, Moosomin, SK	Industrial	100%	30-Apr-13	1,646
Investment properties disposed				\$ 5,421

The Trust's investment property in Saskatoon, SK was classified as held for sale at December 31, 2012. It was subsequently sold on April 26, 2013.

Proceeds on the above noted dispositions were used to repay \$4.2 million in term mortgages and \$1.1 million in other liabilities. A net gain of \$61 thousand was realized after deducting costs relating to the disposition.

## SUMMIT INDUSTRIAL INCOME REIT

Notes to the Unaudited Condensed Consolidated Interim Financial Statements  
June 30, 2013

### 6. Accounts receivable

The components of accounts receivable are as follows:

(In \$ thousands)	June 30, 2013	December 31, 2012
Tenant receivables	\$ 149	\$ 88
Other receivables	334	119
	<u>\$ 483</u>	<u>\$ 207</u>

### 7. Loans and borrowings

#### (a) Term mortgages

As indicated under Note 5, during the six month period ended June 30, 2013, approximately \$90.6 million in new mortgage financing was obtained at a weighted average interest rate of 3.63%.

Term mortgages bear interest at a weighted average stated rate of 3.64%. The term mortgages are secured by first registered mortgages over specific properties and first general assignments of leases, insurance and registered chattel mortgages.

Principal repayment requirements for term mortgages are as follows:

(In \$ thousands)	
2014	\$ 3,938
2015	2,676
2016	2,774
2017	13,740
2018	27,210
Thereafter	46,478
Principal amount	96,816
Deferred financing charges	(863)
Total term mortgages	<u>95,953</u>

#### (b) Revolving operating facility

During the six month period ended June 30, 2013, approximately \$14.5 million was drawn from the revolving operating facility, resulting in a balance of \$40.6 million at June 30, 2013. The revolving operating facility is interest bearing at a variable interest rate based on bank prime plus 1% or banker's acceptance rates plus 2%, is secured by first charges over specific investment properties and first general assignment of leases and insurance and expires on September 27, 2014. On February 20, 2013, the credit facility was increased to \$38 million and on March 11, 2013 it was increased to \$55 million with the addition of an investment property in Aurora, Ontario, as security.

### 8. Preferred units payable

On May 31, 2013 the Trust repurchased and cancelled the Class C preferred units, which had an interest rate of 8%, using funds drawn from the revolving operating facility. During the six month period ended June 30, 2013 the Trust recorded \$38 thousand (2012 - \$45 thousand) of interest expense related to the Class C preferred units.

## SUMMIT INDUSTRIAL INCOME REIT

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

June 30, 2013

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### 9. Unitholders' equity

#### (a) Authorized

The Trust is authorized to issue an unlimited number of units. Each unit represents a single vote at any meeting of unitholders and entitles the unitholder to receive a pro rata share of all distributions.

#### (b) Issued and outstanding

In January 2013, the REIT consolidated all of its issued and outstanding units on the basis of one post consolidation unit for every twelve pre-consolidations unit (the "Consolidation") held as of the record date for the Consolidation. Following the Consolidation, the number of outstanding units was reduced from 82,717,645 to approximately 6,888,915 units, including 4,222 units that were cancelled. The following is a continuity of the Trust's issued and outstanding units

(In thousands)	Number of units	Carrying amount
Balance January 1, 2012	654	\$ 21,645
Balance June 30, 2012	654	\$ 21,645

(In thousands)	Number of units	Carrying amount
Balance January 1, 2013 (after Consolidation)	6,889	\$ 52,331
Issuance of units on February 26, 2013	11,120	69,497
Units issued under the DRIP	48	291
Balance June 30, 2013	18,057	\$ 122,119

On February 26, 2013 the Trust completed a public offering of 11,120,000 units at a price of \$6.75 per unit for gross proceeds of \$75.1 million. The offering incurred issue costs of \$5.6 million for net proceeds of \$69.5 million.

The Trust announced on March 15, 2013 that it has implemented a Distribution Reinvestment Plan ("DRIP") whereby registered or beneficial holders of the Trust's units who are residents in Canada can acquire additional Trust units by reinvesting all or a portion of their monthly cash distributions without paying brokerage commissions. In addition, unitholders who elect to participate in the DRIP receive a further distribution of Trust units equal to 5% of each distribution that was reinvested by them. During the six months ended June 30, 2013, there were 47,881 units issued under this plan for total proceeds of \$291 thousand, representing 13.2% of the related distributions.

## SUMMIT INDUSTRIAL INCOME REIT

Notes to the Unaudited Condensed Consolidated Interim Financial Statements  
June 30, 2013

### 9. Unitholders' equity (continued)

#### (c) Distributions

The Trust declared the following distributions during the six month periods ended June 30, 2013 and 2012:

(In \$ thousands, except per unit amounts)	2013	2012
Paid in cash	\$ 1,914	\$ -
Reinvested by unitholders under the DRIP	291	-
\$0.0408 payable at June 30, 2013	737	-
\$1.70 per unit in January 2012	-	13,346
Distributions recorded in equity	\$ 2,942	\$ 13,346

#### (d) Per unit amounts

The weighted average number of units for the three and six month periods ended are as follows:

(In thousands of units)	3 months 2013	3 months 2012	6 months 2013 <sup>(1)</sup>	6 months 2012 <sup>(1)</sup>
Issued units, beginning of period <sup>(1)</sup> after "Consolidation")	6,889	654	6,889	654
Issuance of units February 26, 2013	11,120	-	7,680	-
Issuance of units under the DRIP	20	-	9	-
Total weighted average number of units outstanding	18,029	654	14,578	654

As at June 30, 2013 and 2012, the Trust has no units or instruments outstanding that would have a dilutive effect on earnings per unit.

### 10. Related party transactions

Under the terms of the management agreement with Sigma Asset Management Limited ("Sigma" or the "Manager), the Trust has incurred the following fees for the three and six month periods ended June 30, 2013 and 2012:

(In \$ thousands)	3 months 2013	3 months 2012	6 months 2013	6 months 2012
Acquisition fees (capitalized to investment properties)	\$ -	\$ -	\$ 1,615	\$ -
Asset management fees	155	-	227	-
Property management	174	-	249	-
	\$ 329	\$ -	\$ 2,091	\$ -

Included in trade and other accrued liabilities at June 30, 2013 is an amount of \$58 thousand (2012 - \$nil) due to Sigma.

During the six month period ended June 30, 2013, the Manager used the acquisition fee proceeds to acquire 240,444 Trust units from the offering of 11,120,000 units, as described in Note 9, at the market price of \$6.75 per unit.

## SUMMIT INDUSTRIAL INCOME REIT

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

June 30, 2013

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### 10. Related party transactions (continued)

During the six month period ended June 30, 2013, certain informed persons of the Manager, as such term is defined in National Instrument 51-102 - Continuous Disclosure Obligations, acquired 239,235 units from the offering of 11,120,000 units, as described in Note 9, at the market price of \$6.75 per unit.

### 11. Revenues from income producing properties

The Trust leases commercial properties under operating leases with lease terms of between one and ten years.

As at June 30, 2013 the Trust is entitled under its non-cancellable tenant operating leases to the following minimum future receipts:

(In \$ thousands)	Within 12 months	2 to 5 years	Beyond 5 years
Operating lease revenue	\$ 15,579	\$ 46,954	\$ 38,671

### 12. Capital management

The Trust's objective when managing its capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide adequate returns for unitholders and to ensure access to sufficient funds for acquisitions. The Trust manages its capital structure and makes adjustments to it in light of changes in economic conditions and the financial requirements of the underlying real estate assets. In order to maintain or adjust the capital structure, the Trust may issue trust units to facilitate business combinations and/or retire financings or may adjust the amount of distributions paid to the unitholders.

The revolving operating facility agreement requires the Trust to maintain a debt to aggregate assets ratio no greater than 65%; debt service coverage ratio not less than 1.50 times and minimum adjusted unitholders' equity not less than (i) \$20 million plus (ii) 75% of the net proceeds from each offering of equity interests subsequent to September 27, 2012. The debt to aggregate assets ratio is also limited to a maximum of 65.0% as per the Declaration of Trust.

These covenants are required to be calculated based on Canadian generally accepted accounting principles ("GAAP"), which is IFRS. As at June 30, 2013, the Trust is in compliance with its financial covenants.

### 13. Income tax

The Trust is taxed as a mutual fund trust for Canadian income tax purposes. The Trust expects to distribute all of its taxable income to its unitholders, which enables it to deduct such distributions for income tax purposes. As the income tax obligations relating to the distributions are those of the individual unitholder, no provision for income taxes has been recorded.

The Canadian Income Tax Act contains rules (the "SIFT Rules") applicable to specified investment flow-through ("SIFT") trusts, which generally tax the SIFT trust on its income from business carried on in Canada and on income (other than taxable dividends) or capital gains from non-portfolio properties (as defined in the Canadian Income Tax Act) and the distribution of such income to unitholders is generally treated as dividends received from a taxable Canadian corporation. If the income is not distributed, the Trust will be taxed on its income. In general, distributions paid as returns of capital will not be subject to this tax.

Income taxes have not been recorded during the period. The SIFT Rules are not applicable to real estate investment trusts ("REITs") that meet certain specified criteria relating to the nature of its revenue and

## SUMMIT INDUSTRIAL INCOME REIT

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

June 30, 2013

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### 13. Income tax (continued)

investments (the "REIT Exemption"). The Trust qualifies as a REIT for 2013 and expects to continue to distribute its taxable income and to qualify as a REIT for the foreseeable future. As such, deferred taxes have not been recorded in the condensed consolidated interim financial statements.

### 14. Subsequent events

#### (a) Property acquisitions

On July 9, 2013, Summit II announced it had waived conditions and would acquire a portfolio of three light industrial properties located in Brampton and Barrie, Ontario and Laval, Quebec aggregating 446,379 square feet of gross leasable area. The REIT will pay approximately \$37.4 million for the portfolio, financed by the assumption of an existing \$5.4 million mortgage, a new \$16.4 million mortgage and the balance in cash from the revolving operating facility. Closing is anticipated on or before August 31, 2013.

On July 30, 2013, Summit II announced it had waived conditions and would acquire a portfolio of three light industrial properties and one fully occupied office building located in Pointe Claire, Lasalle and St. Laurent in the Greater Montreal Region. The three industrial properties total 206,612 square feet of gross leaseable area with the office property adding 20,859 square feet. The REIT will pay approximately \$15.3 million for the portfolio, financed by a new \$9.9 million mortgage with the balance in cash from the REIT's revolving credit facility. Closing is anticipated on or before October 1, 2013.

#### (b) Credit facility

On August 15, 2013 the revolving credit facility was increased from \$55 million to \$68 million.

#### (c) Distribution

On July 15, 2013, a distribution in the amount of \$0.0408 per unit for unitholders of record on July 31, 2013 was declared and will be paid on August 15, 2013. Also, on August 15, 2013, a distribution in the amount of \$0.0408 per unit for unitholders of record on August 30, 2013, was declared and will be paid on September 13, 2013.